



Staff Report

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT STATING ITS INTENTION TO ESTABLISH A REVISED SCHEDULE OF SOLID WASTE CHARGES

Honorable Mayor and Council Members:

Summary

The City of Belmont is running a deficit in its reserve balancing account for solid waste management services. This deficit, \$ 592,076 at December 31, 2008, requires a customer rate increase to eliminate the deficit by December 31, 2010, the end of the current franchise agreement. The City Council provided direction to staff at its meeting of March 10th directing staff to prepare a resolution of intention to increase Solid Waste rates.

This report contains the above referenced resolution stating the City Council intention to conduct a **public hearing on June 23, 2009** for the purpose of considering a series of rate increases raising solid waste rates 4.87 % on July 1, 2009, January 1, 2010 and July 1, 2010 respectively followed by a cash payment of \$600,000 from the Solid Waste fund/Allied Settlement funds.

Staff recommends approval of the attached resolution stating the City's intention to increase solid waste customer rates and setting a public hearing for Tuesday, June 23, 2009.

Background

The City of Belmont provides its residents and businesses solid waste and recycling services through a franchise agreement with Allied Waste. Beginning January 1, 2011, a new franchise agreement will be in place with NorCal. The City, through a public hearing, sets rates that may be charged by the franchisee. The City contracts directly with the provider, Allied, for collection services, but obtains processing and disposal services through membership in the South Bayside Waste Management Authority (SBWMA).

The last Solid Waste rate increase was in April 2005. At that time, the City Council approved a multi-year rate increase of 26.1%. As stated in the February 10, 2009 report, "the 2006 expenses were 8.9 percent greater than revenues. The City has been playing catch-up in its reserve balance account ever since.

The City Council has recently held "Discussion & Direction" sessions at its meetings of February 10th and March 10th. At the March 10th meeting, the City Council was presented with nine options to eliminate this deficit by December 31, 2010, the end of the franchise period with

options to eliminate this deficit by December 31, 2010, the end of the franchise period with Allied Waste. The Council chose option six (a series of 4.87% rate increases at six-month intervals beginning July 1, 2009 followed by a cash payment of \$600,000 from the Solid Waste fund/Allied Settlement funds. Both the February 10th and March 10th Staff Reports are attached to this report for reference.

The following is the schedule:

- First Discussion & DirectionFebruary 10, 2009
- Second Discussion & Direction.....March 10, 2009
- Public Hearing to Consider Resolution of Intention.....April 28, 2009
- Public Notice MailedMay 9, 2009
- Proposition 218 Hearing HeldJune 23, 2009
- Allied Waste Advised for Next Customer BillingJune 24, 2009

General Plan/Vision Statement

General Plan Goal 1015.6

“To provide public services efficiently and at a level adequate to serve an ultimate population of about 28,000.”

General Plan Goal 1015.9

“To protect and conserve significant community resources such as energy, clean air and water and historic or architecturally interesting buildings.”

Fiscal Impact

The series of three 4.87% rate increases at six-month intervals coupled with a one-time \$600,000 payment in December 2010 is projected to zero out the City balancing account and eliminate the reserve account deficit. Residential customer rates for one 32-gallon-can service will increase from the current \$20.17 to \$21.15 on July 1, 2009, to \$22.18 on Jan. 1, 2010 and to \$23.26 on July 1, 2010.

Public Contact

- a) The City Council has held two previous public discussions on this topic; and
- b) A public notice will be mailed to each individual property owner; and
- c) The Public Notice will be prominently featured on the City Website.

Recommendation

Staff recommends approval of the attached resolution of the City Council of the City of Belmont stating its intention to establish a revised schedule of solid waste charges

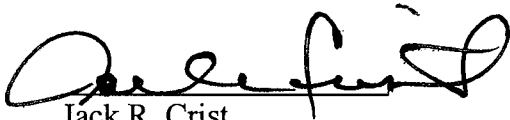
Alternatives

The alternatives were described in the March 10, 2009 “Discussion and Direction” Staff Report presented to the City Council. A copy of the report is attached.

Attachments

- A. Resolution
- B. Exhibit A - Proposed Rate Schedule
- C. Exhibit B - Guidelines for the submission and tabulation of protests
- D. City of Belmont Staff Report dated March 10, 2009 Re: Discussion and Direction on Solid Waste Collection Fees
- E. City of Belmont Staff Report dated February 10, 2009 Re: Discussion and Direction on Solid Waste Collection Fees
- F. Public Hearing Notice

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack R. Crist", written over a horizontal line.

Jack R. Crist
City Manager

Staff Contact:

Jack Crist, City Manager
(650) 595-7408
jcrist@belmont.gov

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT STATING ITS INTENTION TO ESTABLISH A REVISED SCHEDULE OF SOLID WASTE CHARGES

WHEREAS, solid waste, recyclable materials and plant material collection services are provided in the City of Belmont by Allied Waste Industries, Inc. of San Mateo County (the "Franchisee") pursuant to a franchise agreement with the City; and,

WHEREAS, certain other services related to the disposition of solid waste, recyclable materials, and plant materials are provided by the South Bayside Waste Management Authority ("SBWMA"); and,

WHEREAS, the City Council considers, and the Franchisee collects, charges from collection service customers to pay for the costs of the services provided to the customers by the Franchisee and by SBWMA; and

WHEREAS, the City is contractually obligated to pay the Franchisee and SBWMA for these costs; and,

WHEREAS, the City has been informed that the cost of providing the services has increased; and,

WHEREAS, the City Council desires to establish a revised schedule of charges to support these costs.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont finds, orders and determines as follows:

Section 1. The City Council proposes to establish the revised schedule of charges set forth in Exhibit A to this Resolution, attached hereto and incorporated hereby by reference.

Section 2. On June 23, 2009, at 7:30 PM or as soon thereafter as may be practicable in the City Council chambers located at One Twin Pines Lane, Belmont, CA. The City Council will hold a public hearing compliant with the requirements of Section 6 of Article XIID of the California Constitution with respect to the proposed schedule of charge. At this hearing, all interested persons will be permitted to present oral and written testimony with respect to the proposed schedule.

Section 3. The City will accept and tabulate protests against the proposed schedule pursuant to the procedures set forth in Exhibit "B" to this Resolution, which is incorporated herein by reference.

Section 4. Although, in the interest of public participation, the City Council has determined to conduct notice, protest and hearing proceedings in the manner set forth in Section 6 of Article XIID of the California Constitution, nothing in this Resolution shall be interpreted

as a finding, determination, or admission by the City Council that the provisions of that section of the California Constitution apply to this establishment of the proposed rate schedule.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on April 28, 2009 by the following vote:

COUNCILMEMBERS: _____

COUNCILMEMBERS: _____

COUNCILMEMBERS: _____

COUNCILMEMBERS: _____

CLERK of the City of Belmont

APPROVED:

MAYOR of the City of Belmont

EXHIBIT “A”

PROPOSED SOLID WASTE CHARGE RATE SCHEDULE

(Final not available at time of Agenda deadline)

EXHIBIT "B"

GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

Submission of Protests

1. Any property owner or solid waste customer may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner for solid waste customer. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a writing, the City Council welcomes input from the community during the public hearing on the proposed fees.
3. If a parcel served by the City is owned by more than a single record owner or customer, each owner or customer may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner or customer with respect to the property identified on the protest. Protests not bearing the original signature of a record owner or customer shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a writing request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A fee protest proceeding is not an election.
7. To ensure transparency and accountability in the fee protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

Tabulation of Protests.

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following conditions exist:
 - a. The protest does not identify a property served by the City.
 - b. The protest does not bear an original signature of a record owner of the parcel identified on the protest or of the customer on the parcel.
 - c. The protest does not state its opposition to the proposed fees.

- d. The protest was not received by the City Clerk before the close of the public hearing on the proposed fees.
 - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fees.
- 3. The City Clerk's decision that a protest is not valid or does not apply to a specific fee shall constitute a final action of the City and shall not be subject to any internal appeal.
 - 4. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed fee.
 - 5. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.



Staff Report

DISCUSSION AND DIRECTION ON SOLID WASTE COLLECTION FEES

Honorable Mayor and Council Members:

Summary

The City of Belmont is running a deficit in its reserve balance account for Solid Waste Management Services that will require a fee increase. This report outlines a variety of rate structures that will zero out the reserve balance account at the end of the current franchise agreement with Allied Waste on December 31, 2010.

It is recommended City Council discuss all the rate structures and provide staff direction on a preferred option.

Background

In April 2005, staff outlined several rate structures to adjust the reserve balance that was projected to be \$603,193 by December 31, 2005. Staff recommended a 14 percent increase effective April 1, 2005, increased again 9 percent on July 1, 2006 and July 1, 2007, and 3 percent each July 1 thereafter. The reserve balance fund was projected to be near zero by the end of 2008.

City Council considered all the options and selected a lump sum increase of 26.1 percent retroactive to April 1, 2005 to pay off the deficit by the end of 2005. It was projected that the City would need a small increase to the rates in 2009.

The 2006 expenses were 8.9 percent greater than anticipated in the new rate structure. The City has been playing catch up with the reserve balancing account ever since. In addition, the assumptions that were used to create the rates for 2007 through 2009 were set at 4 percent per year. In 2007, 2008, and 2009 (projected), costs have increased between 5.2% and 5.6% each year. This can be attributed to fuel, health care and other insurance related to the operations that had increases greater than the CPI.

The City's existing reserve balance fund has a deficit of \$592,076 as of December 31, 2008. The rates need to be approved through a Prop 218 vote. All of the analysis has been completed assuming the new rates need to be in affect by July 1, 2009.

The following schedule is proposed to meet this deadline:

First Discussion and Direction by City Council	February 10 th
Second Discussion and Direction by City Council	March 10 th
Set Prop 218 Hearing for Rate Increases	March 24 th
Prop 218 Hearing at City Council	May 12 th
Advise Allied Waste for Next Billing	May 13 th

Discussion

Three strategies were used in developing the rates through the end of the existing franchise with Allied Waste. They are as follows:

Zero out the reserve fund balance using only rate increases. Several rate increases were developed to zero out the reserve balancing account by December 31, 2010. The rate increases proposed was a one time increase, two rate increases twelve months apart, and three rate increases six month apart over the balance of the existing franchise agreement.

Adjust the rates without using any of the Allied Waste settlement fund and having a zero fund balance on December 31, 2010. (Alternatives 1, 2 and 3)

Adjust the rates so that the balance would be approximately \$300,000 in the red on December 31, 2010. The City would use half of the Allied Waste settlement funds (approximately \$300,000) in the Solid Waste Manage Account to pay off the balance owed on December 31, 2010. (Alternatives 4, 5 and 6)

Adjust the rates so that the balance would be approximately \$600,000 in red on December 31, 2010. The City would use all \$600,000 of the Allied Waste settlement funds to pay off the balance owed on December 31, 2010. (Alternatives 7, 8 and 9)

The detailed revenue analysis of each of the alternatives is provided in Attachment A. The description of each of the rate scenarios are provided in Attachment B.

ACTUAL IMPACTS ON RATES

Staff took the results of the detailed revenue analysis for the six alternatives and applied it to a typical solid waste collection service for a residential and commercial customer.

Typical Residential Customer Rate:

The typical residential customer has a 32 gallon container with a current rate of \$20.17 per month. The analysis indicates that the impact on the monthly rates for the typical residential solid waste collection service will increase as follows:

One Time Increase Alternatives:

Alternative 1: \$3.37 per month effective July 1, 2009

Alternative 2: \$2.48 per month effective July 1, 2009

Alternative 3: \$1.20 per month effective July 1, 2009

Three Increases Alternatives:

- Alternative 4: \$1.58, \$1.71 and \$1.84 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 5: \$1.18, \$1.25 and \$1.32 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 6: \$0.98, \$1.03 and \$1.08 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively

Two Increases Alternatives:

- Alternative 7: \$2.43 per month on July 1, 2009 and \$2.72 per month effective July 1, 2010
Alternative 8: \$1.80 per month on July 1, 2009 and \$1.96 per month effective July 1, 2010
Alternative 9: \$1.40 per month on July 1, 2009 and \$1.50 per month effective July 1, 2010

Typical Commercial Customer Rate:

The typical commercial customer has a 3 yard bin with a rate of \$290.06 per month. The analysis indicates that the impact on the monthly rates for a typical commercial solid waste collection service will increase as follows:

One Time Alternatives:

- Alternative 1: \$48.47 per month effective July 1, 2009
Alternative 2: \$35.68 per month effective July 1, 2009
Alternative 3: \$27.61 per month effective July 1, 2009

Three Time Alternatives:

- Alternative 4: \$22.94, \$24.32 and \$26.45 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 5: \$16.97, \$17.96 and \$19.01 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 6: \$14.13, \$14.81 and \$15.54 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively

Two Time Alternatives:

- Alternative 7: \$34.95 per month on July 1, 2009 and \$39.17 per month on July 1, 2010
Alternative 8: \$25.90 per month on July 1, 2009 and \$28.22 per month on July 1, 2010
Alternative 9: \$20.16 per month on July 1, 2009 and \$21.56 per month on July 1, 2010

The detailed solid waste collection rate analysis for a several different service levels for both the residential and commercial customers are outlined in Attachment B.

General Plan/Vision Statement

No impact.

Fiscal Impact

The discussion and direction on this matter will not establish any rates and therefore will have no fiscal impact at this time.

Public Contact/ Infrastructure Committee

This item was introduced to the Infrastructure Committee at their Friday, February 6th, meeting. No significant discussion was held at this meeting. The Infrastructure Committee recommended the three rate increase alternative without any of the Allied Waste settlement funds being used.

City Council at their February 10th meeting requested staff to analyze three additional scenarios with the assumption that \$600,000 of the Allied Waste settlement funds be used to offset the outstanding reserve balance fund.

The Infrastructure reviewed and discussed the new funding scenarios at their March 4th meeting. Their recommendation will be provided at the March 10th City Council meeting.

Recommendation

It is recommended City Council discuss the proposed rate structure alternatives and provide any direction to staff for additional information prior to returning to Council for action.

Alternatives

1. Refer back to staff for further information.

Attachments

- A. Solid Waste Collection Rate Analysis
- B. Rate Alternatives

Respectfully submitted,

Raymond E. Davis III, PE, PTOE
Director of Public Works

Jack R. Crist
City Manager

Staff Contact:

Ray Davis
Director of Public Works
595-7460
rdavis@belmont.gov

Attachment A

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

RATE INCREASE ONLY ALTERNATIVES

Service Level (Weekly Service)	Existing Rate	Alternative 1 7/1/2009	Difference	Alternative 2 7/1/2009	Difference	Alternative 3 7/1/2009	Difference
Residential							
20 gallon	\$ 12.61	\$ 14.72	\$ 2.11	\$ 14.16	\$ 1.55	\$ 13.81	\$ 1.20
32 gallon	\$ 20.17	\$ 23.54	\$ 3.37	\$ 22.65	\$ 2.48	\$ 22.09	\$ 1.92
64 gallon	\$ 41.25	\$ 48.14	\$ 6.89	\$ 46.32	\$ 5.07	\$ 45.18	\$ 3.93
Commercial							
1 yard	\$ 96.69	\$ 112.85	\$ 16.16	\$ 108.58	\$ 11.89	\$ 105.89	\$ 9.20
3 yard	\$ 290.06	\$ 338.53	\$ 48.47	\$ 325.74	\$ 35.68	\$ 317.67	\$ 27.61

RATE INCREASE WITH \$300,000 PAYOFF Alternatives 4, 5, 6

Service Level (Weekly Service)	Existing Rate	Alternative 4			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.60	\$ 14.66	\$ 15.81	\$.99	\$ 1.06	\$ 1.15
32 gallon	\$ 20.17	\$ 21.75	\$ 23.46	\$ 25.30	\$ 1.58	\$ 1.71	\$ 1.84
64 gallon	\$ 41.25	\$ 44.48	\$ 47.97	\$ 51.73	\$ 3.23	\$ 3.49	\$ 3.76
Commercial							
1 yard	\$ 96.69	\$ 104.00	\$ 112.45	\$ 121.26	\$ 7.31	\$ 8.45	\$ 8.81
3 yard	\$ 290.06	\$ 313.00	\$ 337.32	\$ 363.77	\$ 22.94	\$ 24.32	\$ 26.45

Service Level (Weekly Service)	Existing Rate	Alternative 5			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.35	\$ 14.13	\$ 14.96	\$ 0.74	\$ 0.78	\$ 0.83
32 gallon	\$ 20.17	\$ 21.35	\$ 22.60	\$ 23.92	\$ 1.18	\$ 1.25	\$ 1.32
64 gallon	\$ 41.25	\$ 43.66	\$ 46.22	\$ 48.92	\$ 2.41	\$ 2.56	\$ 2.70
Commercial							
1 yard	\$ 96.69	\$ 102.35	\$ 108.33	\$ 114.67	\$ 5.66	\$ 5.98	\$ 6.34
3 yard	\$ 290.06	\$ 307.03	\$ 324.99	\$ 334.00	\$ 16.97	\$ 17.96	\$ 19.01

Attachment A

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

Service Level (Weekly Service)	Existing Rate	Alternative 6			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.22	\$ 13.86	\$ 14.54	\$ 0.61	\$ 0.64	\$ 0.68
32 gallon	\$ 20.17	\$ 21.15	\$ 22.18	\$ 23.26	\$ 0.98	\$ 1.03	\$ 1.08
64 gallon	\$ 41.25	\$ 43.25	\$ 45.36	\$ 47.57	\$ 2.00	\$ 2.11	\$ 2.21
Commercial							
1 yard	\$ 96.69	\$ 101.40	\$ 106.34	\$ 111.52	\$ 4.71	\$ 4.94	\$ 5.18
3 yard	\$ 290.06	\$ 304.19	\$ 319.00	\$ 334.54	\$ 14.13	\$ 14.81	\$ 15.54

Attachment A

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

RATE INCREASE WITH \$600,000 PAYOFF Alternatives 7, 8, 9

Service Level (Weekly Service)	Existing Rate	Alternative 7		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 14.13	\$ 15.83	\$ 1.52	\$ 1.70
32 gallon	\$ 20.17	\$ 22.60	\$ 25.32	\$ 2.43	\$ 2.72
64 gallon	\$ 44.25	\$ 46.22	\$ 51.79	\$ 4.97	\$ 5.57
Commercial					
1 yard	\$ 96.69	\$ 108.34	\$ 121.40	\$ 11.65	\$ 13.06
3 yard	\$ 290.06	\$ 325.01	\$ 364.18	\$ 34.95	\$ 39.17

Service Level (Weekly Service)	Existing Rate	Alternative 8		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 13.74	\$ 14.96	\$ 1.13	\$ 1.22
32 gallon	\$ 20.17	\$ 21.97	\$ 23.93	\$ 1.80	\$ 1.96
64 gallon	\$ 44.25	\$ 44.93	\$ 48.95	\$ 3.68	\$ 4.02
Commercial					
1 yard	\$ 96.69	\$ 105.32	\$ 114.73	\$ 8.63	\$ 9.41
3 yard	\$ 290.06	\$ 315.96	\$ 344.18	\$ 25.90	\$ 28.22

Service Level (Weekly Service)	Existing Rate	Alternative 9		Difference	
		7/1/2009	7/1/2009	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 13.49	\$ 14.42	\$ 0.88	\$ 0.93
32 gallon	\$ 20.17	\$ 21.57	\$ 23.07	\$ 1.40	\$ 1.50
64 gallon	\$ 44.25	\$ 44.11	\$ 47.18	\$ 2.86	\$ 3.07
Commercial					
1 yard	\$ 96.69	\$ 103.41	\$ 110.60	\$ 6.72	\$ 7.19
3 yard	\$ 290.06	\$ 310.22	\$ 331.78	\$ 20.16	\$ 21.56

Attachment B

Rate Alternatives

One Time Increase:

Alternative 1: One time increase of 16.71 percent with zero balance December 31, 2010

Alternative 2: One time increase of 12.3% with balance payoff of \$300,000

Alternative 3: One time increase of 9.52% with balance payoff of \$600,000

Three increases spread 6 months apart:

Alternative 4: Increases of 7.84 percent on July 1, 2009, January 1, 2010, and July 1, 2010 with zero balance December 31, 2010

Alternative 5: Increases of 5.85% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$300,000

Alternative 6: Increases of 4.87% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$600,000

Two increases spread 12 months apart:

Alternative 7: Increases of 12.05% on July 1, 2009 and July 1, 2010 with zero balance December 31, 2010

Alternative 8: Increases of 8.93% on July 1, 2009 and July 1, 2010 with the balance payoff of \$300,000

Alternative 9: Increases of 6.95% on July 1, 2009 and July 1, 2010 with the balance payoff of \$600,000.

Council Agenda #6B
Meeting of February 10, 2009



Staff Report

DISCUSSION AND DIRECTION ON SOLID WASTE COLLECTION FEES

Honorable Mayor and Council Members:

Summary

The City of Belmont is running a deficit in its reserve balance account for Solid Waste Management Services that will require a fee increase. This report outlines a variety of rate structures that will zero out the reserve balance account at the end of the current franchise agreement with Allied Waste on December 31, 2010.

It is recommended City Council discuss all the rate structures and provide staff direction on a preferred option.

Background

In April 2005, staff outlined several rate structures to adjust the reserve balance that was projected to be \$603,193 by December 31, 2005. Staff recommended a 14 percent increase effective April 1, 2005, increased again 9 percent on July 1, 2006 and July 1, 2007, and 3 percent each July 1 thereafter. The reserve balance fund was projected to be near zero by the end of 2008.

City Council considered all the options and selected a lump sum increase of 26.1 percent retroactive to April 1, 2005 to pay off the deficit by the end of 2005. It was projected that the City would need a small increase to the rates in 2009.

The 2006 expenses were 8.9 percent greater than anticipated in the new rate structure. The City has been playing catch up with the reserve balancing account ever since. In addition, the assumptions that were used to create the rates for 2007 through 2009 were set at 4 percent per year. In 2007, 2008, and 2009 (projected), costs have increased between 5.2% and 5.6% each year. This can be attributed to fuel, health care and other insurance related to the operations that had increases greater than the CPI.

The City's existing reserve balance fund has a deficit of \$592,076 as of December 31, 2008. The rates need to be approved through a Prop 218 vote. All of the analysis has been completed assuming the new rates need to be in affect by July 1, 2009.

he following schedule is proposed to meet this deadline:

First Discussion and Direction by City Council	February 10 th
Second Discussion and Direction by City Council	March 10 th
Set Prop 218 Hearing for Rate Increases	March 24 th
Prop 218 Hearing at City Council	May 12 th
Advise Allied Waste for Next Billing	May 13 th

Discussion

Two strategies were used in developing the rates through the end of the existing franchise with Allied Waste. The first strategy was to zero out the reserve fund balance using only rate increases. Several rate increases were developed to zero out the reserve balancing account by December 31, 2010. The rate increases proposed was a one time increase, two rate increases twelve months apart, and three rate increases six month apart over the balance of the existing franchise agreement.

The second strategy is similar to the first strategy. Instead of zeroing out the reserve fund balance by December 31, 2010, the rates were adjusted so that the balance would be approximately \$300,000 in the red. The City would use half of the Allied Waste settlement funds (approximately \$300,000) in the Solid Waste Manage Account to pay off the balance owed on December 31, 2010.

The rate alternatives are as follows:

- Alternative 1: One time increase of 16.71 percent with zero balance December 31, 2010
- Alternative 2: One time increase of 12.3% with balance payoff of \$300,000
- Alternative 3: Increases of 7.84 percent on July 1, 2009, January 1, 2010, and July 1, 2010 with zero balance December 31, 2010
- Alternative 4: Increases of 5.85% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$300,000
- Alternative 5: Increases of 12.05% on July 1, 2009 and July 1, 2010 with zero balance December 31, 2010
- Alternative 6: Increases of 8.93% on July 1, 2009 and July 1, 2010 with the balance payoff of \$300,000

The detailed revenue analysis of each of the alternatives is provided in Attachment A.

Staff took the results of the detailed revenue analysis for the six alternatives and applied it to a typical solid waste collection service for a residential and commercial customer.

Typical Residential Customer Rate:

The typical residential customer has a 32 gallon container with a current rate of \$20.17 per month. The analysis indicates that the impact on the monthly rates for the typical residential solid waste collection service will increase as follows:

- Alternative 1: \$2.11 per month effective July 1, 2009
- Alternative 2: \$1.55 per month effective July 1, 2009
- Alternative 3: \$0.99, \$1.06, and \$1.15 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
- Alternative 4: \$0.74, \$0.78, and \$0.83 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
- Alternative 5: \$1.52 per month on July 1, 2009 and \$1.70 per month effective July 1, 2010
- Alternative 6: \$1.13 per month on July 1, 2009 and \$1.22 per month effective July 1, 2010

Typical Commercial Customer Rate:

The typical commercial customer has a 3 yard bin with a rate of \$290.06 per month. The analysis indicates that the impact on the monthly rates for a typical commercial solid waste collection service will increase as follows:

- Alternative 1: \$48.47 per month effective July 1, 2009
- Alternative 2: \$35.68 per month effective July 1, 2009
- Alternative 3: \$22.94, \$24.32, and \$26.45 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively.
- Alternative 4: \$16.97, \$17.96, and \$19.01 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively.
- Alternative 5: \$34.95 per month on July 1, 2009 and \$39.17 per month on July 1, 2010.
- Alternative 6: \$25.90 per month on July 1, 2009 and \$28.22 per month on July 1, 2010

The detailed solid waste collection rate analysis for a several different service levels for both the residential and commercial customers are outlined in Attachment B.

General Plan/Vision Statement

No impact.

Fiscal Impact

The discussion and direction on this matter will not establish any rates and therefore will have no fiscal impact at this time.

Public Contact/ Infrastructure Committee

This item was introduced to the Infrastructure Committee at their Friday, February 6th, meeting. No significant discussion was held at this meeting. The Infrastructure Committee will discuss this item at their next meeting prior to the March 10th City Council meeting when staff will need direction.

Recommendation

It is recommended City Council discuss the proposed rate structure alternatives and provide any direction to staff for additional information prior to returning to Council for action.

Alternatives

1. Refer back to staff for further information.

Attachments

- A. Revenue Analysis for Alternatives 1 through 6
- B. Solid Waste Collection Rate Analysis

Respectfully submitted,

Raymond E. Davis III, PE, PTOE
Director of Public Works

Jack R. Crist
City Manager

Staff Contact:

Ray Davis
Director of Public Works
595-7460
rdavis@belmont.gov

Belmont - Rate Alternative #1

	Revenue Requirement Adjusted for One-time 7/1/09 Rate Increase				
	2007	2008	7/1/09	2009	2010
Residential Revenues	2,014,121	2,011,591	16.71%	2,179,691	2,347,792
Commercial Revenues	2,387,219	2,403,374	16.71%	2,595,899	2,796,099
Compactor Revenues	98,273	91,825	16.71%	99,498	107,172
Other Revenues ¹	11,439	11,439		11,439	11,439
Adjusted Revenues	4,511,052	4,518,229		4,886,528	5,262,502
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170	4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)		98,358	282,806
Interest Income/(Expense)	4% 8,555	2% (234)	2%	1,967	2% 5,656
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)	(288,462)
Current Year-End Balancing Account	(376,867)	(388,787)		(288,462)	0
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		-2.01%	-5.37%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		5.90%	0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #2

	Revenue Requirement Adjusted for One-time 7/1/09 Rate Increase & Disposal Settlement \$\$'s				
	2007	2008	7/1/09	2009	2010
Residential Revenues	2,014,121	2,011,591	12.30%	2,135,303	2,259,016
Commercial Revenues	2,387,219	2,403,374	12.30%	2,545,186	2,692,646
Compactor Revenues	98,273	91,825	12.30%	97,472	103,119
Other Revenues ¹	11,439	11,439		11,439	11,439
Adjusted Revenues	4,511,052	4,518,229		4,789,400	5,066,220
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170	4,979,697
One-time use of Disposal Settlement \$\$'s ³					
Current Year Surplus/(Shortfall)	206,654	(11,686)		1,230	86,523
Interest Income/(Expense)	4% 8,555	2% (234)	2%	25	2% 1,730
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)	(387,532)
Current Year-End Balancing Account	(376,867)	(388,787)		(387,532)	(299,278)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		-0.03%	-1.71%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		8.09%	5.91%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$\$'s available are \$300,000

Belmont - Rate Alternative #3

	Revenue Requirement Adjusted for Three Rate Increases (7/1/09, 1/1/10 & 7/1/10)						2010
	2007	2008	7/1/09	2009	1/1/10	7/1/10	
Residential Revenues	2,014,121	2,011,591	7.84%	2,090,433	7.84%	7.84%	2,431,011
Commercial Revenues	2,387,219	2,403,374	7.84%	2,493,831	7.84%	7.84%	2,904,482
Compactor Revenues	98,273	91,825	7.84%	95,424	7.84%	7.84%	110,971
Other Revenues ¹	11,439	11,439		11,439			11,439
Adjusted Revenues	4,511,052	4,518,229		4,691,127			5,457,903
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170			4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)		(97,043)			478,206
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(1,941)		2%	9,564
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)			(487,770)
Current Year-End Balancing Account	(376,867)	(388,787)		(487,770)			(0)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		2.07%			-8.76%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		10.40%			0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #4

	Revenue Requirement Adjusted for Three Rate Increases (7/1/09, 1/1/10 & 7/1/10) & Disposal Settlement \$						2010
	2007	2008	7/1/09	2009	1/1/10	7/1/10	
Residential Revenues	2,014,121	2,011,591	5.85%	2,070,429	5.85%	5.85%	2,319,756
Commercial Revenues	2,387,219	2,403,374	5.85%	2,470,907	5.85%	5.85%	2,771,558
Compactor Revenues	98,273	91,825	5.85%	94,511	5.85%	5.85%	105,892
Other Revenues ¹	11,439	11,439		11,439			11,439
Adjusted Revenues	4,511,052	4,518,229		4,647,286			5,208,645
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170			4,979,697
One-time use of Disposal Settlement \$s ³							
Current Year Surplus/(Shortfall)	206,654	(11,686)		(140,884)			228,948
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(2,818)		2%	4,579
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)			(532,488)
Current Year-End Balancing Account	(376,867)	(388,787)		(532,488)			(298,961)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		3.03%			-4.40%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		11.46%			5.74%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$s available are \$300,000

Belmont - Rate Alternative #5

Revenue Requirement Adjusted for Two Rate Increases (7/1/09 & 7/1/10)					
	2007	2008	2009	2010	
			7/1/09	7/1/10	
Residential Revenues	2,014,121	2,011,591	12.05%	12.05%	2,389,648
Commercial Revenues	2,387,219	2,403,374	12.05%	12.05%	2,855,062
Compactor Revenues	98,273	91,825	12.05%	12.05%	109,083
Other Revenues ¹	11,439	11,439			11,439
Adjusted Revenues	4,511,052	4,518,229	4,783,799		5,365,231
Current Year Revenue Requirement ²	4,304,398	4,529,915	4,788,170		4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)	(4,371)		385,535
Interest Income/(Expense)	4% 8,555	2% (234)	2% (87)	2%	7,711
Previous Year-End Balancing Account	(592,076)	(376,867)	(388,787)		(393,245)
Current Year-End Balancing Account	(376,867)	(388,787)	(393,245)		(0)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%	0.09%		-7.19%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%	8.22%		0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #6

Revenue Requirement Adjusted for Two Rate Increases (7/1/09 & 7/1/10) & Disposal Settlement \$\$'s					
	2007	2008	2009	2010	
			7/1/09	7/1/10	
Residential Revenues	2,014,121	2,011,591	8.93%	8.93%	2,289,064
Commercial Revenues	2,387,219	2,403,374	8.93%	8.93%	2,734,889
Compactor Revenues	98,273	91,825	8.93%	8.93%	104,491
Other Revenues ¹	11,439	11,439			11,439
Adjusted Revenues	4,511,052	4,518,229	4,715,172		5,139,883
Current Year Revenue Requirement ²	4,304,398	4,529,915	4,788,170		4,979,697
One-time use of Disposal Settlement \$\$'s ³					
Current Year Surplus/(Shortfall)	206,654	(11,686)	(72,998)		160,186
Interest Income/(Expense)	4% 8,555	2% (234)	2% (1,460)	2%	3,204
Previous Year-End Balancing Account	(592,076)	(376,867)	(388,787)		(463,245)
Current Year-End Balancing Account	(376,867)	(388,787)	(463,245)		(299,855)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%	1.55%		-3.12%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%	9.82%		5.83%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$\$'s available are \$300,000

Attachment B

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

Service Level (Weekly Service)	Existing Rate	Alternative 1 7/1/2009	Difference	Alternative 2 7/1/2009	Difference
Residential					
20 gallon	\$ 12.61	\$ 14.72	\$ 2.11	\$ 14.16	\$ 1.55
32 gallon	\$ 20.17	\$ 23.54	\$ 3.37	\$ 22.65	\$ 2.48
64 gallon	\$ 41.25	\$ 48.14	\$ 6.89	\$ 46.32	\$ 5.07
Commercial					
1 yard	\$ 96.69	\$ 112.85	\$ 16.16	\$ 108.58	\$ 11.89
3 yard	\$ 290.06	\$ 338.53	\$ 48.47	\$ 325.74	\$ 35.68

Service Level (Weekly Service)	Existing Rate	Alternative 3			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.60	\$ 14.66	\$ 15.81	\$ 47.97	\$ 1.06	\$ 1.15
32 gallon	\$ 20.17	\$ 21.75	\$ 23.46	\$ 25.30	\$ 1.58	\$ 1.71	\$ 1.84
64 gallon	\$ 41.25	\$ 44.48	\$ 47.97	\$ 51.73	\$ 3.23	\$ 3.49	\$ 3.76
Commercial							
1 yard	\$ 96.69	\$ 104.00	\$ 112.45	\$ 121.26	\$ 7.31	\$ 8.45	\$ 8.81
3 yard	\$ 290.06	\$ 313.00	\$ 337.32	\$ 363.77	\$ 22.94	\$ 24.32	\$ 26.45

Service Level (Weekly Service)	Existing Rate	Alternative 4			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.35	\$ 14.13	\$ 14.96	\$ 0.74	\$ 0.78	\$ 0.83
32 gallon	\$ 20.17	\$ 21.35	\$ 22.60	\$ 23.92	\$ 1.18	\$ 1.25	\$ 1.32
64 gallon	\$ 41.25	\$ 43.66	\$ 46.22	\$ 48.92	\$ 2.41	\$ 2.56	\$ 2.70
Commercial							
1 yard	\$ 96.69	\$ 102.35	\$ 108.33	\$ 114.67	\$ 5.66	\$ 5.98	\$ 6.34
3 yard	\$ 290.06	\$ 307.03	\$ 324.99	\$ 344.00	\$ 16.97	\$ 17.96	\$ 19.01

Attachment B

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

Service Level (Weekly Service)	Existing Rate	Alternative 5		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 14.13	\$ 15.83	\$ 1.52	\$ 1.70
32 gallon	\$ 20.17	\$ 22.60	\$ 25.32	\$ 2.43	\$ 2.72
64 gallon	\$ 41.25	\$ 46.22	\$ 51.79	\$ 4.97	\$ 5.57
Commercial					
1 yard	\$ 96.69	\$ 108.34	\$ 121.40	\$ 11.65	\$ 13.06
3 yard	\$ 290.06	\$ 325.01	\$ 364.18	\$ 34.95	\$ 39.17

Service Level (Weekly Service)	Existing Rate	Alternative 6		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 13.74	\$ 14.96	\$ 1.13	\$ 1.22
32 gallon	\$ 20.17	\$ 21.97	\$ 23.93	\$ 1.80	\$ 1.96
64 gallon	\$ 41.25	\$ 44.93	\$ 48.95	\$ 3.68	\$ 4.02
Commercial					
1 yard	\$ 96.69	\$ 105.32	\$ 114.73	\$ 8.63	\$ 9.41
3 yard	\$ 290.06	\$ 315.96	\$ 344.18	\$ 25.90	\$ 28.22

PUBLIC HEARING NOTICE
Under development at time of Agenda deadline.